



**MINUTES OF THE SPECIAL MEETING  
OF THE  
NYPA AUDIT COMMITTEE**

**May 22, 2018**

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**May 22, 2018**

Minutes of the special meeting of the New York Power Authority's Audit Committee held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York, at approximately 8:07 a.m.

**The following Members of the Audit Committee were present:**

Eugene Nicandri, Chairman  
John R. Koelmel  
Anthony Picente, Jr.  
Tracy McKibben

Anne M. Kress – Excused

**Also in attendance were:**

Dennis Trainor	Trustee
Gill Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Angela Gonzalez	Senior Vice President - Internal Audit
Kimberly Harriman	Senior Vice President - Public and Regulatory Affairs
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Senior Assistant Corporate Secretary

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Chairman Eugene Nicandri presided over the meeting. Corporate Secretary Delince kept the Minutes.

**Introduction**

***Chairman Nicandri welcomed committee members and senior staff to the meeting. He said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to section B(4) of the Audit Committee Charter.***

1. **Adoption of the Proposed Meeting Agenda**

Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the agenda for the meeting was adopted.

2. **Motion to Conduct an Executive Session**

***Mr. Chairman, I move that the Authority conduct an executive session to discuss the financial history of a particular corporation (pursuant to section 105f of New York Public Officers Law).*** Upon motion made by member John Koelmel and seconded by member Tracy McKibben an Executive Session was held.

3. **Motion to Resume Meeting in Open Session**

*Mr. Chairman, I move to resume the meeting in Open Session.* Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the meeting resumed in Open Session.

Chairman Nicandri said no votes were taken during the Executive Session.

4. **DISCUSSION AGENDA:**

a. **2018 Internal Audit Update**

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided an update of the Internal Audit ("IA") activities to the Committee (Exhibit "4a-A").

**2018 Audit Plan Status**

- 49 audits are included in the NYPA Audit Plan.
- 8 audits have been issued to date.
- 7 audits are in fieldwork and three audits are in the planning stage.
- 5 audits have moved to the reporting stage and two audit reports are expected to be issued by the end of May.
- Several reports are expected to be issued by the end of June. To date, IA is 17% complete. The goal is to be 40% complete by the end of June.
- No significant risks have been identified on unissued reports, to date.
- Internal Audit staff is engaged in 13 client support initiatives resulting in either documented or real-time verbal feedback.

**2018 Internal Audit Reports Issued**

Threat & Vulnerability Management

Threat and Vulnerability Management was rated "Improvement Needed." IA's recommendations are related to enhancing the controls that already exist within the threatened vulnerability management process to enhance the protection of NYPA's technology assets.

**Changes in 2018 Internal Audit Plan**

- "Contingent Staffing Vendor Compliance" was added the Audit Plan.
- Indirect Expenses - Cost Allocations was removed from the Plan to leverage the consulting engagement presently taking place to look at cost allocations across NYPA's facilities, before conducting that audit;
- Cost of Service and Rate Model Design Support for SENY was removed from the Plan since the majority of the SENY contracts have been executed and rates approved. There were 7 new SUNY contracts, five have already been executed. Rates will be reviewed through the Customer Meter to Cash follow-up; and

- Primavera – Post Implementation - although the system is up and running, all of the functionality of the system is not currently being used. Conducting a post implementation audit at this time would not be beneficial.

The aforementioned actions brought the total 2018 Audits down to 49. Indirect Expenses - Cost Allocations; Cost of Service and Rate Model Design Support - SENY and Primavera – Post Implementation will be added to the 2019 Audit Plan.

### **Status of Audit Recommendations**

- There are 16 (2017) and 15 (2018) open recommendations. EMC approval is now required for extension requests for recommendations that are still open. No requests for extensions have been submitted to Internal Audit with EMC approval since this new process took effect on May 1, 2018.
- There are four High Audit Open Recommendations for 2017. IA is working with management on the overdue recommendations to bring them to closure.
- Internal Audit will continue to actively monitor remediation efforts with a focus on 2017 open recommendations.

### **Internal Audit 100-Day Plan Status**

#### People

- Five positions remain open as a result of the recent promotions of backfilling two Director positions, one Management position and hiring one Auditor. In addition, one Auditor was promoted to Senior Auditor.
- Four candidates for the Director position have been scheduled for in-person interviews over the next few weeks. These candidates will meet with the IA leadership team and staff from NYPA business operations. IA will continue to work with HR to fill the other open positions.
- Additional reliance on Deloitte co-source will continue until the staff gaps are resolved.
- Site visit to Niagara is scheduled for May 31, 2018 for the half IA's team that has not been to this site. In addition, IA is scheduling a visit to SENY in the fall.

#### Process

- Review of the Internal Audit Charter has been completed. The Charter will be sent to the Audit Committee for review.
- The Agile audit team attended an Agile IA lab at Deloitte's facility. The Travel & Expense audit project has been selected for Agile methodology and the team has mapped Agile processes to Internal Audit's current process and created a timeline for applying these techniques for better client engagement and more efficiency within IA's audit projects.
- Data analytics staff skills assessment is completed. It was determined that, although some of the staff is at the intermediate level, the majority is at the basic level. To that end, beginning



in June, staff training will be held at IA's quarterly staff meetings on actual visualization tools IA use for data analytics.

Technology

- Contract finalization is in progress for the GRC tool. Enterprise Risk Management and Internal Audit are working with Procurement on the implementation vendor contract. ERM and Internal Audit are reviewing the best vendor options for successful implementation.
- Enhancements to the SharePoint Recommendation Tracking tool were have been implemented.

5. **Next Meeting**

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on September 27, 2018 at the Clarence D. Rapleyea Building in White Plains, New York at a time to be determined.

**Closing**

Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the meeting was adjourned by the Chairman at approximately 9:34 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary

May 22, 2018

# **EXHIBITS**

**For**

**Audit Committee**

**Minutes**

**May 22, 2018**



**NY Power  
Authority**

**Canal  
Corporation**

# ***Audit Committee***

## ***Internal Audit Update – NYPA***

***5/22/2018***

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## Executive Summary

### NYPA

- 2018 Audit Plan Status
- 2018 Internal Audit Reports Issued/Ratings
- Changes to 2018 Internal Audit Plan
- Status of Audit Recommendations
- Internal Audit 100 Day Plan Status

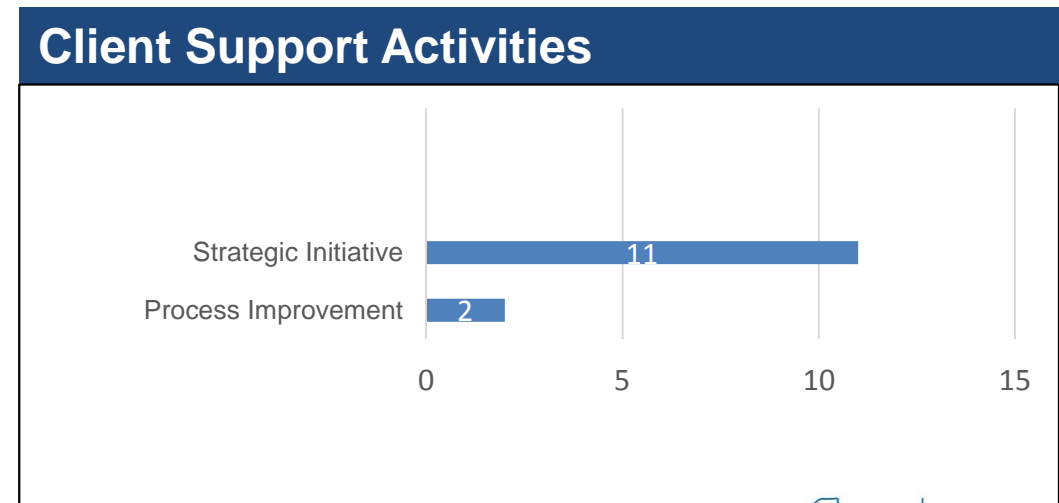
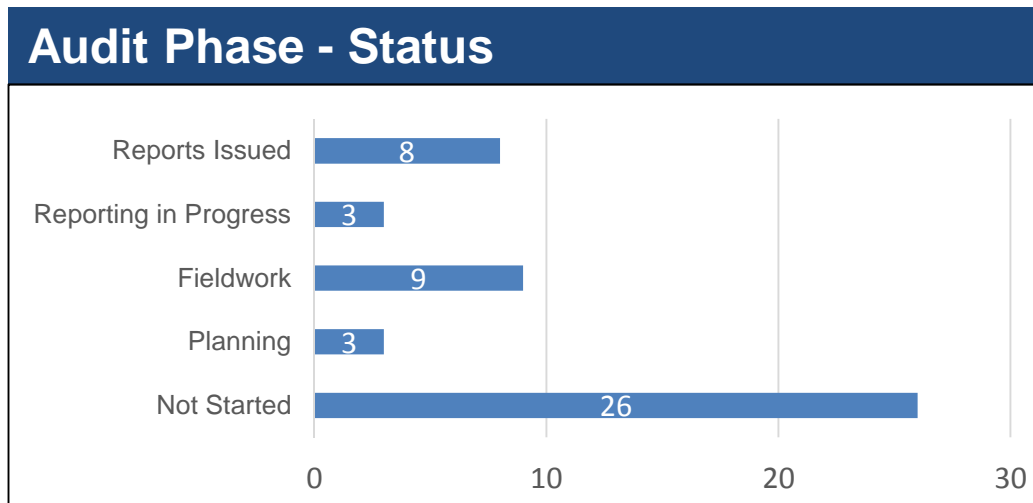
## Appendix

- Appendix A – 2018 Internal Audit Plan
- Appendix B – Changes to 2018 Internal Audit Plan

# Executive Summary

# 2018 Audit Plan Status






- 2018 Plan Status\*:
  - 49 audits are included in the NYPA Audit Plan.
  - Eight audits have been issued to date.
  - Nine audits are in fieldwork and three audits are in the planning stage.
  - Three audits have moved to the reporting stage and two audit reports are expected to be issued by the end of May. Several reports are expected to be issued by the end of June.
  - No significant risks have been identified on unissued reports at this time.
- Internal Audit staff are engaged in 13 client support arrangements resulting in either documented or real time verbal feedback. Engagements are categorized as Strategic Initiative or Process Improvement.



NOTE: \* See Appendix A for details



# 2018 Internal Audit Reports Issued/Ratings

Reports Issued	Rating	
Vegetation Management	Good	
Customer Revenue – Hydro Billing	Good	
New York City Governmental Customer (NYCGC) Contract Compliance	Good	
SAP Basis Administration	Satisfactory	
Work Breakdown Structure (WBS) Code Governance	Satisfactory	
Capital Asset Management	Satisfactory	
Threat and Vulnerability Management	Improvement Needed	
RNY – Customer Compliance Audits	N/A	N/A

## Summary of Audit Areas with Improvement Needed

### Threat & Vulnerability Management

- Overall, Cyber Security has adequate documentation and working processes including monitoring by external government and private sector information security entities. Key areas of threat and vulnerability management such as phishing, cyber threats and security gaps in technologies are appropriately monitored and managed by Cyber Security. Certain areas that need improvement to enhance protecting NYPA's technology assets were related to processes for patching server vulnerabilities, implementing a formal log retention policy, use of file storage, sharing services and software download sites, and security segmentation of the NYPA network.

# Changes to 2018 Internal Audit Plan

- Operational, Strategic, Compliance, Finance and IT audits are continuously evaluated for emerging or changing risks through participation in work streams, committees and discussions with leadership. As a result, the following changes have been made to the 2018 Internal Audit Plan:

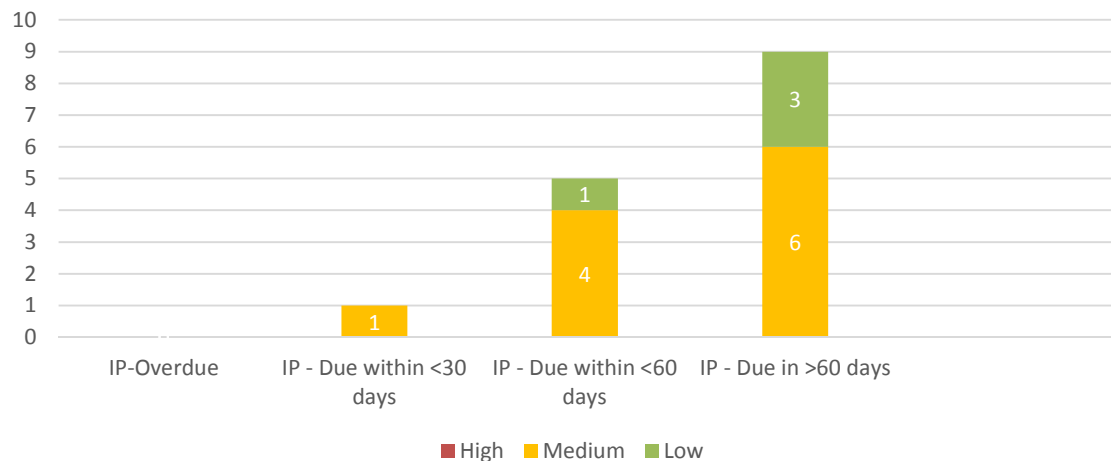
2018 Audit Status	5/11/18
Open 2018 Internal Audit Plan	51
<b>Audit Added to 2018 Internal Audit Plan</b> NYPA: Contingent Staffing Vendor Compliance	+1
<b>Audits Removed from 2018 Internal Audit Plan</b> NYPA: Indirect Expenses – Cost Allocations, Cost of Service and Rate Model Design Support – SENY, Primavera – Post Implementation	-3
<b>Total 2018 Audits</b>	49

- Details explaining rationale for changes since the last Audit Committee update can be found in Appendix B.

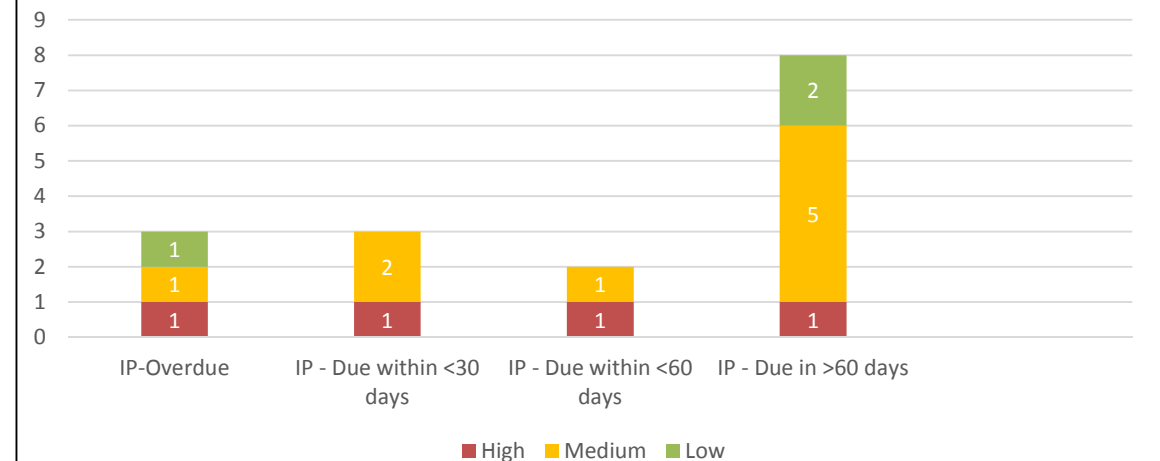
# Status of Audit Recommendations

- As of May 11, 2018, there are 16 2017 and 15 2018 open recommendations. EMC approval is now required for extension requests as well as action owner monthly updates. No extensions have been submitted to Internal Audit with EMC approval since this new process took effect on May 1, 2018. A status of the four high open recommendations can be found on slide 9. Internal Audit is also working with management on the overdue recommendations to bring them to closure.
- Internal Audit will continue to actively monitor remediation efforts with a focus on 2017 open recommendations.

**2018 Issue Remediation Status (Total 15) - NYPA**

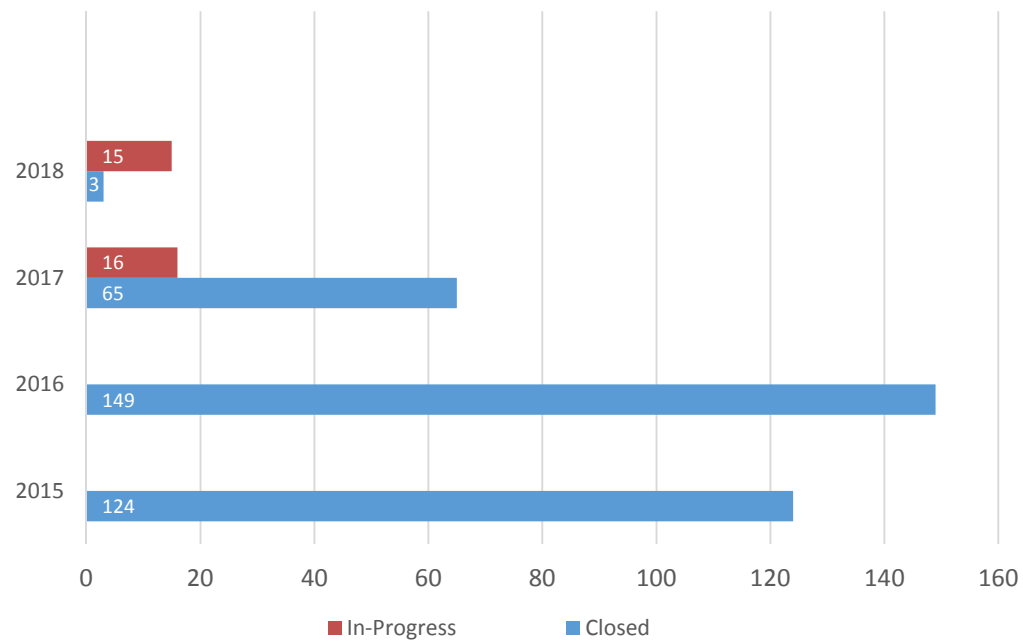


**2017 Issue Remediation Status (Total 16) - NYPA**

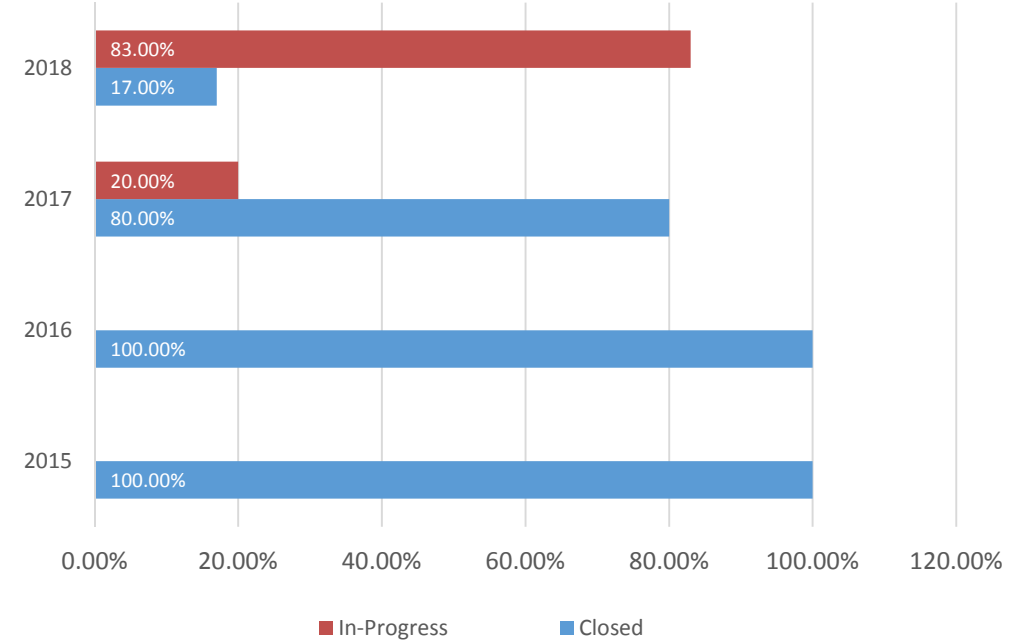


# Status of Audit Recommendations

## No. of Recommendations by Status and Year



## Percentage of Recommendations by Status and Year



# Status of High Audit Recommendations – 2017

2017 High Rated Open Recommendations	Remediation Status
<p><b>Customer Credit Assessment (one recommendation)</b></p> <p>Customer credit procedures were not fully documented and some requirements in the credit policy were not performed.</p>	<p><b>Management informed Internal Audit extension is pending.</b></p>
<p><b>Employee Data Protection - (three recommendations)</b></p> <ol style="list-style-type: none"> <li>1. Personally Identifiable Information (PII) such as Social Security Numbers (SSN) are transmitted in plain text.</li> <li>2. Data Loss Prevention tools are not in place to protect against loss of sensitive data.</li> <li>3. Network share files containing SSN are stored without password protection or encryption for HR Employee Relations, Payroll, HRIS and Accounts Payable.</li> </ol>	<p><b>Remediation efforts are on track.</b></p>

# Internal Audit 100 Day Plan Status

## People

- Five positions remain open as a result of the recent promotions of backfilling two Director positions, one Manager and hiring one Auditor that started on April 30, 2018. In addition, one Auditor was promoted to Senior Auditor on May 2, 2018.
- Four candidates for the Director position have been scheduled for in-person interviews over the next few weeks. These candidates will meet with the IA leadership team and staff from NYPA business operations. We will continue to work with HR to recruit for the other open positions.
- Additional reliance on Deloitte co-source will continue throughout 2018 to fill in staff gaps to complete the plan by year end.
- Site visit to Niagara is scheduled for May 31, 2018 for half the team that has not been to this site. Looking to have the department visit SENY in the fall.

## Process

- Completed my review of the Internal Audit Charter. Plan to send for Audit Committee review within the next few weeks.
- The Agile audit team attended an Agile IA lab at Deloitte's facility. The Travel & Expense audit project in Q2 has been selected for Agile methodology and the team has mapped Agile processes and required artifacts to Internal Audit's current process, defined the number of iterations needed and timeline. A Deloitte Agile coach is assisting the team in applying these techniques.
- Data analytics staff skills assessment is completed. Majority of staff are at the basic level. Staff training will be held at Internal Audit's staff meeting in June and in July, visualization tool training is scheduled.

## Technology

- Contract finalization is in progress for the GRC solution. Enterprise Risk Management and Internal Audit are working with Procurement for the implementation vendor contract. ERM and Internal Audit are reviewing the best vendor options for successful implementation.
- Enhancements to the SharePoint Recommendation Tracking tool were implemented as of April 1, 2018 where approval by EMC for extensions and action owner monthly updates are required. Extensions reporting has also been completed.

# Appendix

# Appendix A – 2018 Internal Audit Plan

Ref.	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Date Issued
<b>Deliverable Issued: 8</b>						
1	NYPA	2018-AU-03	Vegetation Management	Utility Operations	Audit	3-08-18
2	NYPA	2018-AU-50	Customer Revenues – Hydro Billing	Business Services	Audit	3-19-18
3	NYPA	2018-AU-01	RNY – Customer Compliance Audits	Commercial Operations & Energy Solutions	Audit	3-27-18
4	NYPA	2018-AU-30	Threat and Vulnerability Management	Information Technology	Audit	3-29-18
5	NYPA	2018-AU-25	SAP Basis Administration	Information Technology	Audit	3-30-18
6	NYPA	2018-AU-38	Work Breakdown Structure (WBS) Code Governance	Entity-Wide	Audit	4-18-18
7	NYPA	2018-AU-06	Capital Asset Management	Entity-Wide	Audit	4-27-18
8	NYPA	2018-AU-12	New York City Governmental Customers Contract Compliance	Marketing & Legal	Audit	5-4-18
<b>Reporting – Fieldwork Complete: 3</b>						
9	NYPA	2018-AU-07	Ariba Post Implementation	Business Services	Audit	
10	NYPA	2018-AU-22	Niagara SCADA Upgrade	Utility Operations	Audit	
11	NYPA	2018-AU-29	Third Party Contract Audit - Ferguson	Entity-Wide	Audit	
<b>Fieldwork in Progress: 9</b>						
12	NYPA	2018-AU-11	Western NY Customer Compliance Audit (D&M)	Commercial Operations & Energy Solutions	Audit	
13	NYPA	2018-CS-14	Customer Energy Solutions Redesign Support	Commercial Operations & Energy Solutions	Consulting	
14	NYPA	2018-AU-19	Mobile Device Security	Information Technology	Audit	
15	NYPA	2018-AU-34	Data Center Operations	Information Technology	Audit	
16	NYPA	2018-AU-35	Payroll Audit Follow-up	Business Services	Audit	
17	NYPA	2018-AS-39	Enterprise Portfolio Management Design Assessment	Entity-Wide	Assessment	
18	NYPA	2018-AU-47	Energy Commodity Risk Management System Implementation – Phase 1 and 2	Risk Management	Audit	
19	NYPA	2018-AU-62	Third Party Contract Audit – Aecom	Entity-Wide	Audit	
20	NYPA	2018-CS-46	Integrated Smart Operations Center (iSOC)	Entity-Wide	Consulting	
<b>Audit Planning In Progress: 3</b>						
21	NYPA	2018-AU-31	Virtualized Computing	Information Technology	Audit	
22	NYPA	2018-AU-41	Travel & Expense Review	Business Services	Audit	
23	NYPA	2018-AU-63	Contingent Staffing Vendor Compliance	Entity-Wide	Audit	
<b>Planning Not Started: 26</b>						
24	NYPA	2018-AU-43	Social Media	Corporate Affairs	Audit	
25	NYPA	2018-AU-18	IT Disaster Recovery (DR)	Information Technology	Audit	
26	NYPA	2018-AU-02	Northern NY Power Proceeds	Commercial Operations & Energy Solutions	Audit	
27	NYPA	2018-CS-04	AGILe Strategic Initiative	Entity-Wide	Consulting	
28	NYPA	2018-AU-05	Maximo Asset Management Application Review	Utility Operations	Audit	



# Appendix A – 2018 Internal Audit Plan

Ref.	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Date Issued
29	NYPA	2018-AU-08	Community Settlements	Law	Audit	
30	NYPA	2018-AU-13	Customer Data Protection	Entity-Wide	Audit	
31	NYPA	2018-CS-15	Cyber Security Roadmap Consulting Support	Information Technology	Consulting	
32	NYPA	2018-AS-16	Operations Technology Disaster Recover (DR)	Utility Operations	Assessment	
33	NYPA	2018-AU-17	Treasury Operations	Business Services	Audit	
34	NYPA	2018-AU-20	Network Administration	Information Technology	Audit	
35	NYPA	2108-CS-21	New York Energy Manager – Business Processes	Commercial Operations & Energy Solutions	Consulting	
36	NYPA	2018-AU-23	Remote Access	Information Technology	Audit	
37	NYPA	2018-AU-26	Cyber Security Policy Compliance	Entity-Wide	Audit	
38	NYPA	2018-AU-27	Expenditure Authorization Procedure (EAP)	Business Services	Audit	
39	NYPA	2018-AU-28	Success Factors Post Implementation	Human Resources & Enterprise Shared Svcs.	Audit	
40	NYPA	2018-AU-32	Sustainability Assessment Follow-up	Entity-Wide	Audit	
41	NYPA	2018-AS-33	Systems Development Lifecycle (SDLC) Governance	Information Technology	Assessment	
42	NYPA	2018-AS-36	Strategic Supply Management (SSM) Operating Model Assess.	Business Services	Assessment	
43	NYPA	2018-AU-37	Customer Meter to Cash – Follow Up	Business Services	Audit	
44	NYPA	2018-AU-40	Bid to Bill System Implementation	Commercial Operations & Energy Solutions	Audit	
45	NYPA	2018-CS-42	SAP LEM Planning	Entity-Wide	Consulting	
46	NYPA	2018-AU-44	Fleet Management Operations	Human Resources & Enterprise Shared Svcs.	Audit	
47	NYPA	2018-AU-45	Non-Purchase Order (Non-PO) Process	Business Services	Audit	
48	NYPA	2018-AU-48	Dodd Frank Compliance	Commercial Operations & Energy Solutions	Audit	
49	NYPA	2018-AS-49	Real Estate Management	Human Resources & Enterprise Shared Svcs.	Assessment	

## Appendix B – Changes to 2018 Internal Audit Plan

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Entity-Wide	Contingent Staffing Vendor Compliance	Add to Plan	Management request.	Q2	+1
Commercial Operations & Energy Solutions	New York Energy Manager – Business Processes	Scope Change	Refined the scope.	Q3	0
Commercial Operations & Energy Solutions	Bid to Bill System Implementation	Scope Change	Addition to Scope.	Q3	0
Business Services	SENY Meter to Cash	Name Change and Scope Change	Name changed to Customer Meter to Cash – Follow Up. Refined scope and included follow-up of observations from prior audit Customer Meter to Cash and review of the new rates for SENY customers and recovery of cost of service.	Q2	0
Marketing & Legal	Customer Contract Design Review Support	Name Change, Scope Change and Type Change	Changed name to New York City Governmental Customers (NYCGC) Contract Compliance. Changed from an Assessment to an Audit.	Q2	0
Entity-Wide	Indirect Expenses – Cost Allocations	Remove from Plan	Move to 2019 IA Plan. Navigant Consulting has been engaged to conduct peer to peer cost comparisons amongst NYPA facilities to improve decision making. Expected completion is October/November 2018. More efficient and valuable for IA to obtain the results of Navigant review before conducting this audit.	N/A	-1

## Appendix B – Changes to 2018 Internal Audit Plan

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
<b>Business Services</b>	Cost of Service and Rate Model Design Support – SENY	Remove from Plan	Project was originally an assessment of the rate model through the contract renegotiation stage, however, the majority of the SENY contracts have been executed and rates approved. Rates will be reviewed through the Customer Meter to Cash – Follow-Up.	N/A	-1
<b>Commercial Operations &amp; Energy Solutions</b>	Primavera – Post Implementation	Remove from Plan.	Move to 2019 IA Plan. Full functionality of the Primavera application has not been realized by management where projects have not gone from contract management through project management features of the application. Internal Audit cannot assess the effectiveness, efficiencies or benefits from the application at this time.	N/A	-1



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